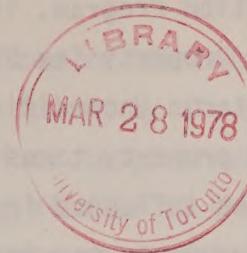


CAZON
EC.
-N2G



Ontario
Economic
Council

Government
Publications
81 Wellesley Street East
Toronto, Ontario
M4Y 1H6
(416) 965-4315



FOR RELEASE: Wednesday, March 22, 1978

Residential Property Tax Relief in Ontario, by R.M. Bird and N.E. Slack, a research study prepared for the Ontario Economic Council, and published by the University of Toronto Press. Price: \$10.00

TORONTO, March 22 -- The property tax in Ontario is probably not significantly regressive, says a research study released today by the Ontario Economic Council.

Residential Property Tax Relief in Ontario, by R.M. Bird and N.E. Slack, goes on to point out that "although increases in property taxes in either the province as a whole or in specific municipalities may in some instances be regressive in their impact on some people, the magnitude of any problems arising from this cause does not seem likely to be too great either. In these circumstances, there does not appear to be any great case for general residential property tax relief in Ontario."

Not only did the authors find the property tax not as regressive as people believe it to be, but also that property taxes, in constant 1974 dollars, have decreased over the period 1969 to 1974. The data lend no support to complaints "from taxpayers about the increasingly crushing burden of the municipal property tax. There has simply not been any such increase, at least on the average, in Ontario over these years," the study says.

The authors also studied two programs, the Property Tax Credit and the Property Tax Stabilization Program, introduced in 1972 and 1973 respectively. They conclude that the Property Tax Stabilization Program which now functions under The Ontario Unconditional Grants Act "has more likely reduced than increased property taxes and that the Property Tax Credit may have had some slight influence in the opposite direction by reducing citizen resistance to property tax increases."

The authors point out that the property tax credit was intended not so much to reduce total property tax burdens in the province on residents as to raise them. The principal objective of the credit was to reduce the perceived regressivity of the property tax by relating the "net" burden of the tax more closely to "ability to pay"

The authors contend that "the tax credit system is quite successful in providing most relief to those in need, since lower income households receive a much higher proportion of their 'income' in the form of transfers under this program than do higher income households. ...The recipients of lower incomes in general clearly receive larger credits on average than do the higher income recipients."

But the authors stress that the credit also gives a good deal of money to others "when it is extremely difficult to see any equity case for doing so once the old, simple-minded views of property tax incidence have been rejected. When viewed on its own as an income transfer program -- rather than as an offset to some supposed property tax 'burden' -- it is hard to conclude that the present credit program makes much sense, primarily because it distributes so much of its largesse to those who, by definition, are more wealthy than many non-recipients of this bounty. On the other hand, the principle of the tax credit method of redistributing income may be much more commendable than is the present practice."

This study was prepared under the auspices of the Ontario Economic Council, an autonomous research agency funded by the Province of Ontario. The Council acts as an independent advisor to government and all political parties, undertakes research and policy studies to encourage the optimum development of the human and material resources of Ontario, and supports the advancement of all the sectors of the Province. The Council achieves these goals by sponsorship of research projects, publication of studies, and organization of the Outlook & Issues conferences and seminars which are open to the public.

- 30 -

NOTE: A list of persons to contact for further information, a brief biographical sketch of the authors, and a selection of quotations from the study are attached.

FOR FURTHER INFORMATION, CONTACT:

Dennis Forristal, public relations counsel, (416) 481-4438

Donald A. Dawson, Research Director, Ontario Economic Council
(416) 965-4315

Grant L. Reuber, Chairman, Ontario Economic Council,
(519) 679-3711

R.M. Bird, Department of Political Economy, University of Toronto,
(416) 978-8627

N.E. Slack, Research Officer, Ontario Economic Council (416) 965-4315

AUTHORS' BIOGRAPHICAL SKETCH

Richard Bird is a member of the Department of Political Economy at the University of Toronto. He received both his Masters and Doctorate degrees from Columbia University. Before joining the University of Toronto in 1968, he was a lecturer at Harvard University.

Enid Slack is a Research Officer with the Ontario Economic Council, specializing in urban affairs. She received her Doctorate degree from the University of Toronto in 1977.

RESIDENTIAL PROPERTY TAX RELIEF IN ONTARIO (188 pgs.) is published by the University of Toronto Press, 5201 Dufferin St., Downsview, Ontario M3H 5T8, or 33 East Tupper St., Buffalo, New York 14203.

Also available from the Ontario Government Bookstore, 880 Bay Street, Toronto, Ontario M7A 1N8. Price: \$10:00.

SELECTED QUOTATIONS

"This study suggests that the result of these grants may indeed have been to lower property taxes. It does not follow from this result, however, that the stabilization program was therefore a success. Indeed ... the study ... goes on to suggest that, while the credit and the grant program each have their particular virtues and vices, in neither case does our appraisal of these programs have much to do with the extent to which they 'relieve' citizens from paying property taxes. Nor should it do so; for most citizens do not, in fact, 'need' such relief from what is, in the final analysis, not such a bad tax at all." (Pg. 7)

"Ontario municipalities are thus truly the creatures of the province, and their taxes are therefore in a real sense provincial taxes. Although the provincial government has shown some signs in the last year or so of trying to pull back from its acceptance of responsibility in this area, it has probably already gone too far to be able to play with impunity that favourite Canadian political game of shifting the blame for taxes on others while accepting credit for expenditures. The Federal government may eventually be able to make the provinces bear the political cost of raising the revenue that finances many of the expenditures for which they eagerly claim credit, but it is less likely that the provincial governments will be able to do the same with respect to the municipalities, simply because the actions of the latter as a rule too obviously just embody provincial policy in another guise." (Pg. 26)

"... what matters is not what the effect of the existing tax system (or any part of it) on income distribution is estimated to be. What matters is rather (a) whether or not the existing income (and wealth) distribution itself conforms to prevailing equity norms and (b) whether or not any particular tax change will tend to close the gap between the present and desired distribution. If we are interested in the effects of a particular tax change on the income distribution, then that is what has to be studied, not the unanswerable non-question of what portion of whose income is hypothetically taken by the present tax system." (Pg. 85)

"So far as the property tax is concerned the basic conclusion of all the foregoing discussion is that the present tax is probably not significantly regressive. Although increases in property taxes in either the province as a whole or in specific municipalities may in some instances be regressive in their impact on some people, the magnitude of any problems arising from this cause does not seem likely to be too great either. In these circumstances, there does not appear to be any great case for general residential property tax relief in Ontario. Nevertheless, some important measures have been taken in recent years with this avowed objective."

(Pg. 86)

"The Ontario property tax credit, in short, was intended not so much to reduce total property tax burdens on Ontario residents as to raise them -- albeit in a more equitable fashion. The principal objective of the credit was clearly to reduce the perceived regressivity of the property tax. Although its characteristics as an income transfer program were recognized, the emphasis was very much on the use of the credit to offset the property taxes presumably burdening low-income residents, including tenants, roomers, and boarders, and, more generally, to relate the 'net' burden of the tax more closely to 'ability to pay'." (Pg. 93)

"Since the payment of the credits is therefore related to the timing of income tax returns rather than property tax payments, there are some grounds for thinking that most taxpayers do not in fact connect the tax credit with the property tax at all. Their only direct contact with the credit system is in the form of an additional sheet in their income tax form and (perhaps) a different balance due or owing at the end of their income tax calculation. Most Canadian taxpayers are probably quite unable to disentangle their federal and provincial income tax liabilities already. It seems unlikely that the additional complication of the credit system, which in effect drags their actual or presumed municipal liabilities into the same calculation, has added to the clarity with which citizens are able to perceive the costs and benefits of different levels of government." (Pg. 97)

"As discussed at length in chapters three to five, however, it is most unlikely that the property tax in Ontario is in fact as regressive as shown in Table 7. It may also be argued, as hinted in chapter six, that the tax credit approach may have a rationale quite independent of correcting any presumed general regressivity of the property tax. One such argument is that even though the tax may be fairly progressive over all, there may nevertheless be particular groups who suffer a proportionately larger burden, such as the elderly, those in the lowest income groups, or those in certain municipalities which depend relatively more heavily on property taxes." (Pg. 113)

"... the tax credit system is quite successful in providing most relief to those in need, since lower-income households receive a much higher proportion of their 'income' in the form of transfers under this program than do higher-income households. The last column of Table 7 supports this conclusion on the whole since the recipients of lower incomes in general clearly receive larger credits on average than do the higher income recipients. Over much of the low-income range, however, the average credit received is relatively constant." (Pg. 114)

"The general case for property tax 'relief' to homeowners may indeed, as seen earlier, be stronger than that for relief to renters in terms of the liquidity problem to which so much policy attention has been devoted. But if one remembers that there is some connection between homeownership and wealth, this case too tends to fade away under critical scrutiny. All in all, whatever perspective one adopts, it seems difficult to argue convincingly that the property tax credit system in Ontario has been either terribly successful or terribly needed." (Pg. 120)

